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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
MANHATTAN DIVISION

IN RE:

DELPHI CORPORATION,

Debtor.

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)
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)

Case No. 05-44481

DEMAND TO EXERCISE SETOFF
BY LORENTSON MANUFACTURING COMPANY, INC.

Pursuant to the Court's *Final Order Under 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), and 364(e) and Fed. R. Bankr. P. 2002, 4001 and 9014 (I) Authorizing Debtors to Obtain Postpetition Financing, (II) to Utilize Cash Collateral and (III) Granting Adequate Protection to Prepetition Secured Parties*, entered by the Court on October 28, 2005, Docket No. 797 (the "DIP Financing Order"), Lorentson Manufacturing Company, Inc. (the "Claimant") hereby makes its recoupment/setoff demand (the "Demand"):

1. The Claimant hereby demands to exercise its Setoff Right¹ in the amount of **\$222,257.50**.

2. The Setoff Right demanded hereunder is based on 11 U.S.C. Section 553 of the Bankruptcy Code, and the cases decided thereunder concerning setoff and recoupment, and is based on the following facts:

- On October 8, 2005, **the Claimant owed the sum of \$222,257.50** to the Debtors (the "Debt Owed to Delphi"), for goods received by the Claimant from the Debtors.
- On October 8, 2005, **the Debtors owed the sum of \$1,495,511.30²** to the Claimant (the "Debt Owed to Claimant") for product shipped to the Debtors by the Claimant.
- A copy of the Claimant's setoff demand letter dated November 18, 2005 (the "Setoff Demand Letter"), addressed to counsel for the Debtor, Sina Toussi, the Debtor, and Mr. Everett W. Montgomery, Jr., with evidence of receipt of same by the intended recipients, is attached hereto as Exhibit "A". The exhibits that were attached to the Setoff Demand Letter will be provided upon request to the undersigned at jhinshaw@boselaw.com.

¹ Any terms not defined in this Demand shall have the meaning set out in the Court's DIP Financing Order. Any use of the word "setoff" or "Setoff", rather than "recoupment" is not intended by the Claimant to be an admission by the Claimant that it does not, in fact, have a recoupment right in these circumstances.

² This number is subject to further review, and will be subject to various adjustments as the bankruptcy case proceeds.

Dated: Indianapolis, Indiana
December 15, 2005

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[certificate of service follows on next page]

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon the following parties set out below via e-mail transmission and/or ECF transmission to the addresses set out below, this 15th day of December, 2005:

/s/ Jeannette Eisan Hinshaw

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